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Wood Industry Situation

Report Categories:

Wood Products

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Report Highlights:

The BiH wood sector has historically been one of the most important sectors of the BiH economy and accounts for close to 10% of BiH GDP. It includes forestry, primary wood processing, and value added production, including furniture, joinery, and cabinetry. BiH wood sector exports grew strongly over the past years, reaching nearly \$700 million. It represents one of the largest export components with a substantially positive overall trade balance. Investing in added value processing is needed as the biggest opportunity lies down with stronger development of the wood processing sector.

Executive Summary:

Bosnia and Herzegovina (BiH) is situated in southeastern Europe, in the west-central portion of the Balkan peninsula. Its 50,000 km² is quite mountainous and hilly. Forests and forestland cover almost 50 percent of the land area, while agricultural land covers 2.5 million hectares. High forest predominates and deciduous species are the most dominant with beech (*Fagus spp.*) accounting for almost 40% of all species cover in the country. Oaks (*Quercus spp.*) contribute another 20%. Spruce and fir, located in the higher elevations and generally on the steepest terrain comprise an additional twenty percent of the forest cover in BiH

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State owned forests represent 81% (2.2 million ha) of all BH forests (2.7 ha), and privately owned forests represent 19%. State owned forests are managed by state owned Forest Management Companies (FMCs). There are 8 cantonal FMCs in the Federation, and 1 FMC with 23 Forest Management Units (FMUs) in the Republika Srpska (BiH comprises of two entities, the Federation of BiH and the Republika Srpska and they are responsible for managing their forests).

Forests are managed almost exclusively for timber production and only 6 percent of all BiH forests are not classified as production forests. State owned FMCs provide 94% of locally provided sawlogs, and private ones only 6%. In broad terms the standing volume of timber is estimated at more than 300 million cubic meters, with annual growth probably close to 10 million m³. Allowable cut is approximately 7 million cubic meters per year, and it is completed by 80 to 85% every year. Industrial sawlogs (both coniferous and broadleaf) felling amounts to total 2.5 million cubic meters/year. Due to the economic crisis the demand for industrial sawlogs was lower in 2009 than usually.

Export of all wood based sectors (forestry, wood processing and furniture) is around 900 million KM (2009) or \$650 million. The main export markets are Italy, Croatia, Serbia, Germany, Austria and the Netherlands. There is some sawlogs import from the region (Croatia and Serbia) approximately supplying some 5% of certified wood to BH market.

Dwindling access to forested resources is a serious problem. In the first case the current forest management road network is seriously lacking, only 7 to 8 km per 1,000 hectares. This is compounded by the fact that much of the remaining forest cover is on very steep slopes that will hamper road building and traditional types of removal. In the second place is the fact that upwards of 200,000 ha of forest lands are contaminated by landmines laid down during the war. Mined forest areas are inaccessible and have significant impacts on management (harvesting, controlling insect and disease attacks, and fighting fires that at break out near or in these areas). Trees harvested from land in and near the front lines will have shrapnel and other metal debris embedded in them that will affect milling of forest products for many years to come.

General Information:

Institutional and legal framework

Overall responsibility for forestry in the FBiH is with the Ministry of Agriculture, Water Management and Forestry (MAWF), and in the RS with the Ministry of Agriculture, Forestry and Water Resources

(MAFW). Within each of the two ministries a forestry department is headed by an Assistant Minister. A small technical staff and the Forest Inspection Service is housed in the department as well. Major responsibility for implementing forest management activities in FBiH is with the 10 cantonal forest companies; within the RS it is through one company Srpska Šume. Decision-making in RS is more centralized while in FBiH the canton and forest offices share the responsibilities and decision-making.

The Forest Inspection Services are charged with monitoring forest management activities (including harvesting) as well as reporting facts and figures that pertain to keeping tabs on harvesting companies and the products removed from the forest.

Ministries of education in the two entities oversee forest education and research in the two entities. University-level education in forestry, forest management and wood processing is available in Sarajevo and Banja Luka.

Wood harvesting and processing

The 1992-1995 war significantly changed the face of wood industry and its output of wood products. Most affected were the buyers and consumers of small roundwood. Four chipboard plants, an medium density fiberboard (MDF) plant, a pulp factory and a pulp and paper firm were destroyed or completely shut down. Another pulp and paper company is still operating, but at a substantially reduced level of output (and by using imported raw materials). These changes have meant substantial reductions in the flow of wood volume out of the forest and the way the forests are being managed and cut.

The wood processing companies that remain face significant challenges and changes brought on privatization of state-owned companies, aging equipment, marketing and advertising challenges, etc.

The number of secondary wood processing companies (joinery, wood boxes, pallets, , furniture, specialty products, etc.) appears to be increasing along with their value to the national economy, especially in terms of exports. More than 60 companies (including 25 producers of furniture) now make up this group producing more than 80 different types of products. According to BiH Foreign Trade Chamber, the wood and furniture industry products accounts to approximately 20 percent of the country's export earnings. Furniture alone accounts for almost a third of the value of exported wood products.

Business and industry experts state that the secondary processing industry is one of the most promising

sectors of the economy and that firms should do all that they can to add value to their products and aggressively aim their production at regional and global markets.

Other forest products such as medicinal and aromatic plants (MAPs) and non-timber forest products (NTFPs) are also significant contributors to both formal and informal sectors of BiH's economy. Rural livelihoods are very dependent on these products as well as the collection and sale of fuelwood.

Some firms have been able to discover their niche markets, such as specializing in hand-carved traditional furniture and some modern furniture. Technical skills exist thanks to a long tradition in the sector, but additional investment in continuing education/modernization is needed (e.g. design, hand-carving, etc.).

An estimate is that, nationwide, about 29,000 people are employed by the primary industries in the sector and additional 100,000 are engaged in secondary processing, directly and indirectly. Collectors and processors of NTFPs and MAPs probably engage an additional 5,000 people.

Wood Sector Production and Trade

BiH Wood Sector exports are going up to \$700. The main export markets are Italy, Croatia, Serbia, Germany, Austria and the Netherlands.

Bosnian beech is exported as timber, as semi-processed products and as pre-cut blocks for furniture making. Bosnian oak that grows in abundance alongside the Sava River in the north of the country is used in high-value furniture, flooring, stair treads, or turned into wooden products such as rails and even in ornately carved jewelry boxes. Spruce is used in furniture construction as doweling, in doors, door and window frames, with the waste off-cuts going into the toy production and household goods. Some companies export as much as 80% of their production. Cheaper materials made from softwoods, such as fir and juniper, are exported as planks and beams to Austria, Italy, Egypt, Israel and Morocco.

Table 1: BiH Total Wood Sector Trade 2007 -2009

All Wood Products (HS 44 and 94)	Imported Value (\$000)	Imported Quantity (tons)	Exported Value (\$000)	Exported Quantity (tons)
2007	283,483	271,701	680,585	1,412,665
2008	345,912	367,243	708,588	1,312,980
2009	242,048	249,129	652,809	1,150,402

Source: BiH Foreign Trade Chamber

Table 2: BiH Wood Sector exports in 2008 and 2009 for some specific products

Description of product	Export (in \$000)	
	2008	2009
Saw logs and forest products	62,176	71,594
Sawn lumber	214,907	137,424
Boards and veneer	24,498	17,961
Parquet and elements	17,262	10,766
Joinery	35,202	31,011
TOTAL	354,045	268,756
Furniture	187,093	180,962
Precut houses	22,44	5,733
GRAND TOTAL	543,382	455,451

Source: BiH Foreign Trade Chamber

Table 3: BH Wood Sector production and sales in 2008

	Products	Unit	Production	Production sales	Value in KM (000)
1	Railway or tramway sleepers (crossties) of wood; not impregnated	m3	425	388	706
2	Coniferous wood sawn or chipped lengthwise; sliced , peeled or sanded;	m3	71,970	67,622	23,642
3	Spruce wood (Picea abies Karst.), fir wood (Abies alba Mill.)	m3	556,491	477,643	131,039
4	Pine wood: Pinus sylvestris L.	m3	4,178	4,986	1,098
5	Softwood sawn/chipped lengthwise, Sliced /peeled and thickness > 6 mm including pencil slats - wood length = 125cm, thickness <12.5 mm excluding end-jointed - planed/sanded, spruce/pine	m3	17,088	16,119	5,542
6	Oak wood; sawn or chipped lengthwise; sliced or peeled; of a thickness > 6mm (excluding oak blocks, strips and friezes), not worked, planed or sanded	m3	62,677	56,736	41,686
7	Beech wood; sawn or chipped lengthwise; sliced or peeled; of a thickness > 6mm, not worked, planed or sanded	m3	270,461	200,741	90,516
8	Ash wood; sawn or chipped lengthwise; sliced or peeled; of a thickness > 6mm, not worked, planed or sanded	m3	1,069	1,146	668

9	Other hard non-coniferous wood; sawn or chipped lengthwise; sliced or peeled; of a thickness > 6mm, not worked, planed or sanded	m3	9,828	1,294	861
10	Poplar wood; sawn or chipped lengthwise; sliced or peeled; of at Thickness > 6mm, not worked, planed or sanded	m3	422	364	71
11	Other soft non-coniferous wood; sawn or chipped lengthwise; sliced or peeled; of a thickness > 6mm, not worked, planed or sanded	m3	3,256	2,509	1,996
12	Oak blocks; strips or friezes for parquetry wood block flooring; planed but not assembled (excluding continuously shaped)	m2	352,548	337,488	3,824
13	Coniferous wood continuously shaped	kg	5,921,948	5,852,819	8,683
14	Non-coniferous wood continuously shaped (excluding blocks; strips and friezes for parquets or wood block flooring; not assembled)	kg	1,489,809	1,489,809	910
15	Non-coniferous wood blocks; strips and friezes for parquet or wood block flooring; continuously shaped (excluding assembled)	m2	203,455	124,25	1,432
16	Coniferous wood in chips or particles	kg	9,673,469	9,425,871	322
17	Non-coniferous wood in chips or particles	kg	14,649,745	14,024,660	1,769
18	Wood waste and scrap (including agglomerated in logs; briquettes; pellets or similar forms) (excluding sawdust)	kg	35,608,789	32,556,355	5,878
19	Plywood consisting solely of sheets of wood with each ply = 6 mm thick and with min. one outer ply of hardwood excluding of tropical wood	m3	1,204+2,300	805+1,995	2,388
20	Plywood, veneered panels and similar laminated wood of min. one outer ply of hardwood, one of chipboard excluding plywood solely of sheets of wood with each ply = 6 mm thickness	m3	1,258	1,245	1,416
21	Other plywood, veneered panels, outer ply non-coniferous wood: block-, laminate-, battenboard	m3	618	484	702
22	Other plywood, veneered panels, at least 1 outer ply of non-coniferous wood	m3	291+389	281+383	838
23	Particle board and similar board of wood, others, including wafer board	m3	1,330=1,098	1,330+1,098	1,685

24	Veneer sheets, sheets for plywood and other wood sawn lengthwise, sliced/peeled, thickness =6mm and end jointed, planed/sanded/small boards for the manufacture of pencils	m3	20,398	13,992	16,464
25	Compacted wood; in blocks; plates; strips or profile shapes	m3	14,282	13,743	16,249
TOTAL PRIMARY PRODUCTION					360,384
JOINERY					
27	Windows with wings unfixed and their frames made of wood	p/st	7,750	7,857	2,866
28	Other windows and their frames made of wood	p/st	35,855	37,610	8,885
29	Outside doors and their frames and thresholds, made of wood	p/st	49,786	47,160	12,221
30	Other outside balcony doors and their frames and thresholds, made of wood	p/st	7,233	7,740	3,496
31	Inside doors and their frames and thresholds, made of wood	p/st	46,683	46,680	8,61
32	Other doors and their frames and thresholds, n.e.c. made of wood	p/st	57,602	55,997	13,98
34	Door wings, made of wood	p/st	14,08	15,012	1,248
35	Blind frames, made of wood	p/st	327,63	293,968	4,004
36	Parquet panels of oak wood, massive	m2	295,39	269,271	7,038
37	Parquet panels of beech wood, massive	m2	176,15	150,937	2,971
38	Other parquet panels, massive	m2	25,64	22,359	797
39	Parquet panels of oak wood, lamella type, with base elements	m2	23,548	18,852	261
40	Parquet panels of wood for mosaic floors	kg	1,361,170	1,146,057	1,168
41	Prefabricated buildings, made of wood, for living	m2	14,300	14,349	3,760
42	Flat pallets and pallet collars of wood	p/st	22,695	22,203	188
43	Box pallets and load boards of wood (excluding flat pallets)	p/st	6,277	6,024	39
44	Tableware and kitchenware of wood	kg	6,000	6,000	25
45	Wooden frames for paintings; photographs; mirrors or similar objects	m	1,146,155	1,146,155	2,524
TOTAL JOINERY					73,350
FURNITURE					
46	Upholstered swivel armchairs, with seat height and backrest angle adjustment, fitted with castors or glides (excl. medical, dental, barber etc. seats)	p/st	1,403	1,390	291
47	Armchairs convertible into beds (excl. garden armchairs or camping	p/st	14,812	14,761	2,045

	equipment)				
48	Two seat couches convertible into beds (excl. those gardens or camping)	p/st	25,070	24,858	5,781
49	Three seat couches convertible into beds (excl. those gardens or camping)	p/st	48,654	47,958	16,439
50	Upholstered seats with wooden frames, used in office	p/st	5,739	4,126	1,038
51	Upholstered armchairs, with wooden frames, used in office	p/st	1,742	1,742	165
52	Other upholstered armchairs, with wooden frames, n.e.c, other than for office	p/st	1,097,147	1,097,622	69,453
53	Non-upholstered wooden armchairs	p/st	3,829	3,800	18
54	Non-upholstered wooden seats, other	p/st	152,628	151,874	4,300
55	Other seats, n.e.c.	p/st	8,453	8,010	779
56	Wooden parts for seats (excluding for medical, surgical dental or veterinary seats, for barbers' and similar chairs, of a kind used for aircraft)	p/st	10,434,483	10,433,552	6,949
57	Office wooden desks, Including system furniture and components, fixed pedestals	p/st	22,161	20,958	2,691
58	Wooden furniture of a kind used in offices,	p/st	4,878	4,511	1,181
59	Other office wooden furniture (excluding cupboards with doors, shutters or flaps, filing, card index and other cabinets, seats)	p/st	1,327	1,313	378
60	Wooden furniture for shops, including shower cases, shelf cases, counters etc.	p/st	5,260	5,257	731
61	Wooden units for fitted kitchens, compatibles	p/st	2,539	2,230	723
62	Wooden kitchen cupboards	p/st	1,947	1,722	466
63	Wooden cabinets	p/st	16,369	16,919	2,364
64	Kitchen sink cabinets made of wood	p/st	30,892	29,869	1,648
65	Wall mounted kitchen elements made of wood	p/st	38,969	39,243	4,304
66	Kitchen desks and counters made of wood	p/st	3,031	2,692	742
67	Wooden kitchen furniture: fitted kitchens	p/st	47,800	49,548	8,132
68	Wooden kitchen tables	p/st	96,784	91,956	16,485
69	Other wooden kitchen furniture n.e.c. (excl. fitted kitchens)	p/st	107,081	104,629	18,503
70	Wooden French beds	p/st	12,490	12,582	3,589
71	Wooden beds for children	p/st	7,134	6,807	1,001
72	Wooden couches for the bedroom	p/st	62,574	57,922	11,181
73	Wooden furniture compatibles for the bedroom	p/st	15,975	16,241	4,097
74	Wooden furniture: wardrobes (clothes	p/st	42,630	39,745	12,449

	and linen)				
75	Wooden furniture: floor-standing mirrors	p/st	477	468	63
76	Wooden furniture: night cabinets	p/st	148,244	148,151	1,064
77	Wooden furniture: commodes (with drawers)	p/st	8,223	8,079	2,229
78	Wooden bedroom furniture, n.e.c.	p/st	5,041	4,282	2,938
79	Wooden furniture for the dining-room and living-room, combinable	p/st	435,027	410,700	16,291
80	Wooden furniture: shower cases	p/st	23,853	21,636	8,618
81	Wooden furniture: shelf -cases	p/st	16,219	12,655	4,781
82	Wooden furniture: shelves for books and like	p/st	153,969	157,429	4,071
83	Other wooden furniture for the dining room and living-room	p/st	46,024	37,033	10,163
84	Combinable wooden furniture for the bathroom	p/st	5,430	5,430	263
85	Other wooden furniture for the bathroom	p/st	44,420	44,200	4,391
86	Wooden furniture for gardens	p/st	7,916	7,914	751
87	Wooden furniture for footwear	p/st	11,847	10,945	1,125
88	Wooden furniture for hallways, other	p/st	8,158	7,933	2,174
89	Wooden furniture, other	p/st	118,860	118,453	10,987
90	Parts of wooden furniture excluding for medical, surgical, dental or veterinary furniture, seats - for specially designed furniture for hi-fi systems, videos or televisions	m3	8,607	8,431	13,237
	TOTAL FURNITURE				281,069
	GRAND TOTAL (in 000 KM)				714,803

Source: BiH Agency for Statistics

Currency note for 2008: \$1.00 = KM1.3367